

Message Text

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PAGE 01 GENEVA 07797 01 OF 02 192021Z
ACTION EB-08

INFO OCT-01 ISO-00 AF-10 ARA-10 EA-10 EUR-12 NEA-11
STRE-00 AGRE-00 CEA-01 CIAE-00 COME-00 DODE-00
FRB-03 H-01 INR-10 INT-05 L-03 LAB-04 NSAE-00
NSC-05 PA-01 CTME-00 AID-05 SS-15 STR-07 ITC-01
TRSE-00 ICA-11 SP-02 SOE-02 OMB-01 DOE-15 OIC-02
IO-13 /169 W

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P 191906Z MAY 78
FM USMISSION GENEVA
TO SECSTATE WASHDC PRIORITY 9919

LIMITED OFFICIAL USE SECTION 01 OF 02 GENEVA 07797

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PASS ELECTRONICALLY STR (STARKEY) AND USDA (RIESZ)
STR PASS CODEL

E.O. 11652: N/A
TAGS: MTN, ETRD
SUBJECT: TECHNICAL EXPERTS OF DAIRY SUBGROUP MEETING

REF: GENEVA 7135

1. SUMMARY. THE EXPERTS MEETING OF THE DAIRY SUBGROUP
WAS HELD ON MAY 16 AND 17 TO WORK OUT PRODUCT COVERAGE
AND DEFINITIONS OF PILOT PRODUCTS IN MILK FAT PROTOCOL.
EXPERT GROUP ALSO RETURNED TO QUESTION OF HOW TO CALCULATE
PRICE ADJUSTMENTS FOR MILK POWDERS BUT DID NOT RESOLVE
THIS ISSUE. THE INCLUSION OF CASEIN IN THE MILK POWDER
PROTOCOL WAS DEBATED BUT NOT DECIDED. AUSTRALIAN DEL
(SNOW) PROVIDED MEETING WITH MORE DETAILED MINIMUM PRICE
PROPOSAL FOR CHEESE (HANDCARRIED TO WASHINGTON BY SIDNEY
COHEN) TO WHICH SOME DELEGATIONS GAVE PRELIMINARY "PERSON-
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PAGE 02 GENEVA 07797 01 OF 02 192021Z

AL" (NEGATIVE) REACTIONS.

2. TECHNICAL GROUP DECISIONS FOR SUBMISSION TO THE PLENA-
RY SESSION WERE AS FOLLOWS:

A) PROTOCOL REGARDING MILK FAT -

ARTICLE I - PRODUCT COVERAGE: MILK FAT FALLING UNDER CCCN
HEADING NO. 0403, HAVING A MILK FAT CONTENT EQUAL TO OR
GREATER THAN 50 PERCENT BY WEIGHT.

ARTICLE II - PILOT PRODUCTS: 1(A) - ANHYDROUS MILK FAT
(AMF) WITH MILK FAT CONTENT OF 99.5 PERCENT BY WEIGHT
(CONSENSUS OF THE EC, NEW ZEALAND AND AUSTRALIA THAT
BULK OF GHEE, BUTTEROIL AND ANHYDROUS MILK FAT TRADED HAS
A MILK FAT CONTENT OF 99.5 PERCENT OR ABOVE), AND NO
SPECIFIED WATER CONTENT. 1(B) - BUTTER, DEFINED AS
HAVING 80 PERCENT FAT CONTENT BY WEIGHT WITH A MAXIMUM
OF 16 PERCENT WATER CONTENT. US DEL (COHEN) RESERVED
POSITION ON THIS, AS US BUTTER MAY CONTAIN MORE MOISTURE,
AND NEW ZEALAND DEL NOT WILLING TO DROP WATER CONTENT
SPECIFICATION.

ARTICLE III PARA 4 - ADJUSTMENT OF MINIMUM AND (MAXIMUM)
PRICES: THERE WOULD BE NO ADJUSTMENT FOR BUTTER OIL,
GHEE OR AMF WITH FAT CONTENT ABOVE 99.5 PERCENT, I.E.
THERE IS ONLY A SINGLE MINIMUM PRICE FOR THESE PRODUCTS;
FOR BUTTER, INCREASES OR REDUCTIONS OF AN AMOUNT TO BE
SPECIFIED PER TRANCHE OF 1 PERCENT FAT, WOULD OCCUR WHEN
THE FAT CONTENT IS EQUAL TO OR GREATER THAN 82 PERCENT,
OR LESS THAN 80 PERCENT. (THIS SOLUTION APPEARS TO HAVE
SATISFIED EC DESPITE EARLIER OBJECTION TO SINGLE MINIMUM
PRICE FOR BUTTER WITH A FAT CONTENT GREATER THAN OR
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PAGE 03 GENEVA 07797 01 OF 02 192021Z

EQUAL TO 80 PERCENT AND LESS THAN 82 PERCENT AS SUGGESTED
BY NEW ZEALAND.)

B) PROTOCOL REGARDING MILK POWDER -

ARTICLE 1 - PRODUCT COVERAGE: THE QUESTION OF INCLUSION
OF CASEIN POWDERS IN THE AGREEMENT AND ITS DEFINITION AS
A PILOT PRODUCT AS PROPOSED BY THE AUSTRALIANS IN APRIL
24 MEETING WAS LEFT TO THE PLENARY MEETING. THE EC AND
NEW ZEALAND WERE BASICALLY AGAINST INCLUSION, THE FORMER
BECAUSE TWO MAJOR EUROPEAN SUPPLIERS, I.E. USSR AND
POLAND, WOULD UNDERCUT A MINIMUM PRICE ANYWAY, AND THE
LATTER BECAUSE THERE ARE NO EC EXPORT RESTRICTIONS TO
CONTROL THROUGH A MINIMUM PRICE AND CASEIN ALLEDGEDLY
IS NOT A PRODUCT COMPETING WITH THE OTHER POWDERS. THE
EC CONSIDERED THE AUSTRALIAN SPECIFICATIONS AS FITTING
A LOW QUALITY PRODUCT. AUSTRALIA DID NOT CHANGE ITS
POSITION.

ARTICLE II - PILOT PRODUCTS: THE PILOT FOR WHOLE MILK
POWDER (WMP) WAS DEFINED AS HAVING 26 PERCENT MILK FAT
BY WEIGHT.

3. NO DECISION WAS MADE REGARDING THE FORMULA TO BE USED TO DERIVE INCREMENTS BY WHICH ADJUSTMENTS WOULD BE MADE FROM MILK POWDER PILOT PRICES. THREE PROPOSALS HAVE NOW BEEN MADE - (1) THE OECD PROCEDURE AS DEFINED IN MTN/DP/W/27/REV. 3 (ART. III PARA 4); (2) A MODIFICATION OF THE AUSTRALIAN PROPOSAL HANDED OUT AT THE APRIL 24 DAIRY SUBGROUP MEETING THAT WOULD ADJUST THE MINIMUM PRICE FOR NFDM ON THE BASIS OF THE COST PER PERCENT FAT AS A FUNCTION OF THE MINIMUM PRICE FOR AMF; AND (3) A NEW ZEALAND PROPOSAL TO ADJUST THE MINIMUM PRICE ON THE BASIS OF THE COST PER PERCENT FAT AS A FUNCTION OF THE DIFFERENCE BETWEEN MINIMUM PRICES SET FOR NFDM & WMP. THE EC SEEMS TO PREFER THE OECD METHOD AS HAVING SERVED WELL LIMITED OFFICIAL USE

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PAGE 04 GENEVA 07797 01 OF 02 192021Z

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PAGE 01 GENEVA 07797 02 OF 02 192025Z
ACTION EB-08

INFO OCT-01 IO-13 ISO-00 AF-10 ARA-10 EA-10 EUR-12
NEA-11 STRE-00 AGRE-00 CEA-01 CIAE-00 COME-00
DODE-00 FRB-03 H-01 INR-10 INT-05 L-03 LAB-04
NSAE-00 NSC-05 PA-01 CTME-00 AID-05 SS-15 STR-07
ITC-01 TRSE-00 ICA-11 SP-02 SOE-02 OMB-01 DOE-15
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P 191906Z MAY 78
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LIMITED OFFICIAL USE SECTION 02 OF 02 GENEVA 07797

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TILL THE PRESENT, BUT IS OPEN TO CHANGE. THE NEW ZEALANDERS HAVE MADE A PROPOSAL BUT SUGGEST THAT ANY DECISION WILL HAVE TO BE MADE IN LIGHT OF THE MINIMUM PRICE THE SUBGROUP WILL SET. LUCQ RAISED THE POINT THAT AUSTRALIAN

PROPOSAL ASSUMES PRICES FOR NFDM, WMP, AND AMF WOULD RUN IN TANDEM WHICH HAS NOT ALWAYS PROVED TO BE THE CASE IN THE PAST.

4. THE AUSTRALIAN DEL PRESENTED REFINEMENT OF PROPOSAL FOR A MINIMUM PRICE FOR CHEESE INITIALLY PRESENTED AT APRIL 24 SUBGROUP MEETING. THE PAPER PROVIDES TWO ALTERNATIVES: (1) A DETAILED CLASSIFICATION SYSTEM OF GROUPS OF CHEESES BY TYPE WHICH WOULD BE USED TO DERIVE ADJUSTMENTS TO THE MINIMUM PRICE SET FOR THE STANDARD REFERENCE CHEESE (NOW PROPOSED AS EMMENTHALER INSTEAD OF CHEDDAR IN DEFERENCE TO A SUGGESTION THAT FORMER IS TRADED MORE INTERNATIONALLY) BASED ON FAT CONTENT AND SOLIDS NON-FAT; (2) A SINGLE MINIMUM PRICE WHICH WOULD APPLY TO ALL CHEESE AND CURD AS DESCRIBED IN CCCN 0404 (WITH NO ADJUST-LIMITED OFFICIAL USE

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PAGE 02 GENEVA 07797 02 OF 02 192025Z

MENTS FOR TYPES OF CHEESE), ON THE THEORY THAT IT IS PRIMARILY BULK CHEESE INTENDED FOR PROCESSING WHICH WOULD FALL TO THE MINIMUM (A DISTRESS PRICE SUGGESTED AT \$80/100 KGS) AND OTHER CHEESES WOULD NOT BE AFFECTED BY THE PROTOCOL. BARSUGLIA'S (EC DEL) "PERSONAL" REACTION WAS NEGATIVE, POINTING OUT THAT THE FIRST ALTERNATIVE COULD NEITHER BE POLICED NOR CORRESPONDED TO REAL VALUE OF THE CHEESES INVOLVED, AND THE SECOND ALTERNATIVE WAS TOO VAGUE AND WOULD PERMIT, EVEN FORCE, THE EC TO INCREASE ITS RESTITUTIONS TO MEET THE MINIMUM PRICE. NEW ZEALAND DEL (MCPHAIL) INDICATED IT WAS TOO EARLY TO DISCUSS THE NEW PROPOSAL, BUT THAT HE DID NOT REALLY SEE THE NEED FOR A MINIMUM PRICE AGREEMENT FOR CHEESE, ESPECIALLY A DISTRESS PRICE WHICH WAS IRRELEVANT TO MUCH OF THE TRADE. THE DISCUSSION WAS BASICALLY AN EC/AUSTRALIA DIALOGUE AS MOST DELEGATIONS WERE UNWILLING TO COMMENT ON THE PROPOSAL WITHOUT INSTRUCTION, WHILE EC SEEMED INTERESTED IN DIS-SUADING AUSTRALIANS FROM PURSUING MINIMUM PRICE AGREEMENT.

5. 2 COPIES OF MTN/DP/W/27/REV. 4 FOR DAIRY SUBGROUP MEETING OF MAY 30 ALSO HANDCARRIED TO WASHINGTON BY SID COHEN (ASCS). LEGAL PAPER REQUESTED IN APRIL 24 MEETING ALSO BEING HANDCARRIED BY PAUL HEISE (STR).

6. DRAFTED BY HARVEY. MCDONALD

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Message Attributes

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